

TRADE SECRETS UPDATE

S. 3389 - Protecting American Trade Secrets and Innovation Act of 2012. Senator. Herb Kohl, D-Wis.

Introduced in the U.S. Senate, July 12, 2012.

Highlights

- 1)** Amends the Economic Espionage Act (1996) to create a federal civil remedy for trade secret misappropriation. The EEA criminalizes trade secret misappropriation (1) with knowledge that doing so will benefit a foreign government or (2) to place a product using that trade secret into interstate commerce with knowledge that doing so will cause injury to the secret holder.
- 2)** Confers federal jurisdiction under the EEA law over cases in which plaintiff certifies either:
 - misappropriation from the United States to another country or,
 - that there is a substantial need for nationwide service of process to prosecute the claim.
 - Authorizes ex parte shut down of misappropriation and damage recovery.

Limitations / Benefits

- 1)** Is not a comprehensive approach to a nationwide problem such as enacting a federal version of the Uniform Trade Secrets Act (UTSA) and thereby displacing state law. The act contains three important limitations on its scope:
 - First, the act only covers trade secrets that are “related to or included in a product,” whereas all ideas may be covered under the UTSA and other state law.
 - Second, the act imposes the requirement of intent, which is not an element under the UTSA.
 - Third, the act confers federal jurisdiction only if plaintiff certifies either (1) misappropriation of trade secrets from the United States to another country or (2) a “substantial need” for nationwide service of process.
- 2)** On the plus side, by not displacing state laws, it allows for prosecution at both federal and state levels.

Remedies

Available under the act include:

- injunctive relief, protective orders, reasonable royalties, damages for actual harm, damages for unjust enrichment,
- exemplary damages in malicious cases of up to the amount of single damages,
- empowers federal courts to award fees and costs in such instances and for bad faith tactics, and
- a three-year limitations period that runs from the time of discovery or when the misappropriation should have been discovery through the exercise of reasonable diligence.

Disposition of bill - Died in Senate committee, August 2012.

H.R.6029 - Foreign and Economic Espionage Penalty Enhancement Act of 2012.

Rep. Lamar Smith, Tx. Sen. Herb Kohl, Wis.

January 3, 2013 -- Passed House / Senate, signed in to law.

Amends the federal criminal code to increase:

- (1)** the term of imprisonment for economic espionage (i.e., stealing or obtaining, duplicating or conveying, or buying or possessing trade secrets without authorization, intending or knowing that the offense will benefit any foreign government, foreign instrumentality, or foreign agent) from 15 years to 20 years; and
- (2)** the maximum fine for such offenses committed by individuals (from \$500,000 to \$5 million) or by organizations (from \$10 million to \$10 million or 3 times the value of the stolen trade secret to the organization). Directs the U.S. Sentencing Commission to review and amend the federal sentencing guidelines and policy statements applicable to offenses relating to the transmission of a stolen trade secret outside of the United States or economic espionage in order to reflect the intent of Congress that penalties for such offenses reflect the seriousness of, and potential and actual harm caused by, such offenses and provide adequate deterrence. Directs the Commission to:
 - consider the extent to which such guidelines and statements appropriately account for the simple misappropriation of a trade secret;
 - review whether additional enhancements are appropriate to account for any transmission of a stolen trade secret outside of the United States and any such transmission that is committed for the benefit of a foreign government, instrumentality, or agent; and
 - ensure reasonable consistency with other relevant directives, guidelines and statements, and related federal statutes.

See attached enrolled bill.

HR 624, Cyber Intelligence and Sharing Protection Act (CISPA)- Representative Mike Rogers (MI)

Allows for the sharing of Internet traffic information between the U.S. government and technology and manufacturing companies. The stated aim of the bill is to help the U.S government investigate cyber threats and ensure the security of networks against cyberattacks.

Status

- Passed in House 2012, failed in Senate. Being rewritten to address civil liberty and privacy concerns.

